

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2018/2019

BFN 3114 – TAX PLANNING
(Section BO1)

15 OCTOBER 2018
2.30 p.m. – 4.30 p.m.
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This Question paper consists of **Eight (8)** printed pages including cover page with **Three (3)** Questions only.
2. Answer **ALL** questions.
3. Please write all your answers in the Answer Booklet provided.
4. The distribution of the marks for each question is given at the end of each question.

QUESTION 1

a) La Bella Spa operates a spa and an organic wellness centre. It has been in operation for five years and makes up its accounts to 31 December annually. For the year of assessment 2018, La Bella Spa has incurred the following expenditure:

- i. Cash register machine for the spa of RM490.
- ii. Five unit of doors of RM2,400 in total for different spa rooms of the centre.
- iii. New motor car (non-commercial) of RM70,000. It was acquired under hire purchase agreement and allocated for the use of La Bella Spa's managing director.

Required:

State with reasons, whether the expenditure incurred by La Bella Spa for the above assets will be eligible for capital allowances.

(6 marks)

b) Mr. Darrel and Mrs. Evelyn, both Singaporeans, are marketing executives for the marketing agency based in Singapore. They arrived in Malaysia for the first time in September 2017 to promote new products of the business and assist of the new branch in Kuala Lumpur, Malaysia. During the period they were in Malaysia, they exercised their employment in Malaysia but salaries were paid directly to their accounts in Singapore.

Mr. Darrel returned to Singapore after 75 days in Malaysia, all of which were for work. Mrs. Evelyn returned to Singapore after 60 days in Malaysia, which included a ten-day holiday. Neither Mr Darrel nor Mrs Evelyn is expected to return to Malaysia in the next two years.

Required:

Advise Mr. Darrel and Mrs. Evelyn on the Malaysian income tax implications relating to the exercise of their employment during the period of their stay in Malaysia.

(6 marks)

- c) Basically, most individual taxpayers prefer to be a tax resident in Malaysia. Explain
- (i) the advantageous to be a tax resident in Malaysia and,
 - (ii) how an individual taxpayers can become a tax resident in Malaysia.

(8 marks)

[Total: 20 marks]

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QUESTION 2

Mr. Narendran runs a mini market known as Narendran Enterprise. The business makes up its accounts annually to 31 December annually. As for 31 December 2017, the profit of the business before taxation is RM45,000. Items charged in arriving at the profit before taxation included the expenses stated in the notes below:

1.	Cost of sales includes:	RM
	Provision for stock obsolescence (2% of cost)	12,000
	Damaged stocks written off	6,800
	Provision for foreign exchange loss of imported goods	2,700
2.	Payroll costs:	RM
	Salary of Mr. Narendran	48,000
	Employees' salary	52,000
	Medical expenses for staffs	3,400
	Bonus to employees	17,000
	Employee Provident Fund (EPF) for staffs	5,200
3.	Marketing and advertising expense includes:	RM
	Staffs annual dinner	2,000
	Lunch for suppliers of the business	1,000
	Leave passage for Mr. Narendran and his family	3,600
4.	Included in miscellaneous expenses is an amount of RM2,300 being the cost for furniture and fittings of the shop.	
5.	Motor vehicle expenses includes:	RM
	Repair and maintenance of the business vehicles	4,900
	Road tax and insurance of the business vehicles	3,000
	Summon for speed trap	1,200
	Depreciation of assets of the business	20,000
6.	Trade bad debts includes:	RM
	Specific provision for bad debts	5,000
	General provision for bad debts	10,000
	Recovery for bad debts	(3,700)
7.	Donation	RM
	Cash contributions to National Cancer Council of Malaysia, an approved institution	2,000
	Hamper to orphanage house, an approved institution	500

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8.	Other incomes comprise:	RM
	Gross dividend (single tier) from shares' investment	3,700
	Rental of an apartment	24,000
	Tax exempt dividends from investment in offshore companies	2,100

Capital allowances claimed by the business for the year of assessment 2017 is RM24,000 and the balancing allowance is RM2,100.

Required:

Compute the total income of Narendran Enterprise for the year of assessment 2017.

Note: Start your computation with profit before taxation figure and indicating 'NIL' in the appropriate column for item that does not require adjustment.

[Total: 40 marks]

QUESTION 3

a) Anita is a Malaysian tax resident. She is a single mother of two children aged 3 and 7 years old. She is currently employed as a senior marketing executive with a local manufacturing company in Shah Alam, Selangor. Details of her employment income, other income and expenditure for the year 2017 are as follows:

Employment income, perquisites and benefit in kind (BIK):

- A salary of RM9,000 per month of which 11% was contributed to the employees' provident fund (EPF).
- Two month's bonus based on her performance in 2017, which was received on 28 April 2018.
- One local leave passage of RM2,000 for her and her children.
- A fully furnished living accommodation, rented by her employer at a monthly rent of RM2,000, inclusive of RM500 for furniture.
- A new car purchased by the company in 2015 for RM120,000. No fuel was provided by her employer.

Other income:

- Anita received a single-tier dividend of RM4,000 (gross) from her investment with a local public listed firm in Bursa Malaysia.

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APPENDIX 1**TAX RATES AND ALLOWANCES**

The following tax rates, allowances and values are to be used in answering the questions.

Income tax rates for resident individuals for the year assessment (YA) 2016 to 2017

	Chargeable Income	Tax Rate	Income Tax Payable
	RM	(%)	RM
First	2,500	0	0
Next	<u>2,500</u>	0	<u>0</u>
On	5,000		0
Next	<u>5,000</u>	1	<u>50</u>
On	10,000		50
Next	<u>10,000</u>	1	<u>100</u>
On	20,000		150
Next	<u>15,000</u>	5	<u>750</u>
On	35,000		900
Next	<u>15,000</u>	10	<u>1,500</u>
On	50,000		2,400
Next	<u>20,000</u>	16	<u>3,200</u>
On	70,000		5,600
Next	<u>30,000</u>	21	<u>6,300</u>
On	100,000		11,900
Next	<u>50,000</u>	24	<u>12,000</u>
On	150,000		23,900
Next	<u>100,000</u>	24	<u>24,000</u>
On	250,000		47,900
Next	<u>150,000</u>	24.5	<u>36,750</u>
On	400,000		84,650
Next	<u>200,000</u>	25	<u>50,000</u>
On	600,000		134,650
Next	<u>400,000</u>	26	<u>104,000</u>
On	1,000,000		238,650
Exceeding	<u>1,000,000</u>	28	<u>...</u>

Non-Resident Individual Rate for employment income (YA 2016 and 2017)

Non-resident person (other than companies): 28%

Reliefs

	RM
Self	9,000
Disabled taxpayer self- additional relief	6,000
Medical expenses expended for parents (max)	5,000
Medical expenses expended on self, spouse or child with serious diseases [Including up to RM500 for medical examination (max)]	6,000
Basic supporting equipment for disabled self, spouse, child or parent (max)	6,000
Fees expended for skills or qualifications (max)	7,000
Spouse relief (if he or she has no source of income or elects for combined Assessment)	4,000
Disabled spouse	3,500
Child (each)	2,000
Disabled child (each)	6,000
Child- over 18 years of age and studying in higher learning institution	8,000
Disabled child studying in higher learning institution	14,000
Amount deposited to SSPN for his child (max)	6,000
Life insurance premiums and contributions to approved provident funds (max)	6,000
Medical or education insurance premiums for self, spouse or child (max)	3,000
Lifestyle (books, sports equipment, computer, broadband and gymnasium fee)	2,500
Social Security Organization (SOCSO) Scheme	250
Breastfeeding equipment	1,000
Parental care: father & mother (each)	1,500

Rebates

	RM
Chargeable income not exceeding RM35,000	
Individual	400
Individual who has been given a deduction in respect of a spouse or former wife	400

Prescribed value of benefits in kind: Car and fuel scale

Cost of car (when new)	Prescribed annual value of private usage of car	Fuel per annum
RM	RM	RM
Up to 50,000	1,200	600
50,001 – 75,000	2,400	900
75,001 – 100,000	3,600	1,200
100,001 – 150,000	5,000	1,500
150,001 – 200,000	7,000	1,800
200,001 – 250,000	9,000	2,100
250,001 – 350,000	15,000	2,400
350,001 – 500,000	21,250	2,700
500,001 and above	25,000	3,000

The value of the car benefit equal to half of the prescribed annual value (above) is taken if the car provided is more than five (5) years old, but the value of the fuel provided remains unchanged. Where a driver is provided by the employer, the value of the benefit per month is fixed at RM600.

Other benefits**Household furnishings, apparatus & appliances**

Semi-furnished with furniture in the lounge, dining room, or bedrooms

- RM70 per month

Semi-furnished with furniture as above and one or more of the following:

Air-conditioners, curtains, carpets

- RM140 per month

Fully furnished premises

- RM280 per month

Domestic servant

- RM400 per month

Gardener

- RM300 per month

Capital allowances

	Initial allowance Rate (%)	Annual allowance Rate (%)
Motor vehicles and heavy machinery	20	20
General plant and machinery	20	14
Office equipment, furniture and fittings	20	10
Industrial building	10	3
Computer, information technology equipment & computer software	20	40

End of page.

